

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE OF THE CENTER AS AN ENTITY

To the Board of Commissioners:

We have audited the financial statements of Flagantines Parole-Comprehensive Care Center (the Center) as of and for the year ended December 31, 1994, and have issued our report thereon dated April 18, 1995.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Center is the responsibility of the Center's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Center's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management and the Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
April 18, 1995

FLUORIMIN PARKS COMPREHENSIVE CARE CENTER

BALANCE SHEET

DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
ASSETS		
CURRENT ASSETS		
Advances less revenue receivable (Note 4)	\$ 998,454	\$ 871,937
Patient accounts receivable, net of estimated uncollectibles of \$4,842,431 in 1996 and \$494,123 in 1995	488,650	464,956
Investments and prepaids	64,408	55,475
Due from WCC program	<u>33,089</u>	<u>33,987</u>
Total current assets	<u>1,584,601</u>	<u>1,426,355</u>
Property and equipment, net (Note 2)	<u>125,488</u>	<u>181,699</u>
Total	<u>\$1,710,089</u>	<u>\$1,608,054</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	\$ 364,217	\$ 394,531
Accounts due Medicare/Medicaid programs	275,435	399,540
Accrued expenses	<u>29,800</u>	<u>27,891</u>
Total current liabilities	<u>669,452</u>	<u>821,962</u>
Advances from Fluoriminn Park (Note 3)	<u>225,000</u>	<u>225,000</u>
FUND BALANCES		
Designated	508,629	518,972
Undesignated	<u>654,848</u>	<u>257,119</u>
Total fund balances	<u>1,163,477</u>	<u>776,091</u>
Total	<u>\$1,666,926</u>	<u>\$1,588,053</u>

The accompanying notes are an integral part of these financial statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Commissioners
Hospital Service District Number 1 of Plaquemine
Parish, Louisiana
Fort Sulphur, Louisiana

We have audited the accompanying balance sheets of Plaquemine Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemine Parish, Louisiana) (the Center) as of December 31, 1996 and 1995, and the related statements of revenues and expenses and fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 1996 and 1995, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 5 to the financial statements, the Center's results from operations raise substantial doubt about the Center's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.



New Orleans, Louisiana,
April 26, 1997

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FLAGLEMINIS PARISH COMPREHENSIVE
CARE CENTER

FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 1996 AND 1995
TOGETHER WITH AUDITORS' REPORT

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the parish, its board, committee and other appropriate public officials. This report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 21 1997

ARTHUR ANDERSON LLP

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

To the Board of Commissioners:

We have audited the financial statements of Flaquemin, Parish-Crescent-Marie Care Center (the Center) as of and for the year ended December 31, 1996, and have issued our report thereon dated April 18, 1997. These financial statements and the Schedule referred to below are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements and the Schedule referred to below based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the Center taken as a whole. The accompanying Schedule I - Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Center taken as a whole.



New Orleans, Louisiana,
April 18, 1997

SECRET

DECLASSIFICATION/CONTINUATION SHEET

OFFICE OF SPECIAL INQUIRY, DEFENSE AGENCY
 FOR SPECIAL INVESTIGATIONS, D-100

Insert description of page contents if changed

Date of Change	Total Pages		Date of Change	Total Pages		Date of Change	Total Pages	
	Added	Deleted		Added	Deleted		Added	Deleted
10/1/80	10000	0 (100%)	10/1/80	10000	0 (100%)	10/1/80	10000	0 (100%)
10/1/80	10000	0 (100%)	10/1/80	10000	0 (100%)	10/1/80	10000	0 (100%)

8. GOVERNMENTAL REGULATIONS:

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant requirements for patient services previously failed. Management believes that the Center is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unanticipated at this time.

9. CLASSIFICATION OF EXPENSES:

	Salaries & Benefits	Supplies	Other	Total
PATIENT CARE	\$ 995,640	\$ 196,616	\$ 894,895	\$2,087,151
SUPPORT SERVICES	<u>338,893</u>	<u>38,668</u>	<u>332,714</u>	<u>710,275</u>
	\$1,334,533	\$235,284	\$1,227,609	\$2,797,426

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.



New Orleans, Louisiana,
April 18, 1997

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ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
THE CENTER'S FEDERAL FINANCIAL ASSISTANCE PROGRAM

To the Board of Commissioners:

We have audited the financial statements of Theopropines Florida Comprehensive Care Center (the Center) as of and for the year ended December 31, 1986, and have issued our report thereon dated April 18, 1987.

We have applied procedures to test the Center's compliance with the following requirements applicable to its Federal financial assistance program, which is identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1986:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Drug-Free Workplace Act
- Allowable costs/cost principles

Our procedures were limited to the applicable procedures described in the Office Management and Budget's Compliance Supplement for Single Agencies of State and Local Governments, September 1986 version. The procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Center's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of these procedures disclosed no material instances of non-compliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Center had not complied, in all material respects, with these requirements.

This report is intended for the information of management and Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
April 18, 1987

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO THE CENTER'S NUISANCE FEDERAL FINANCIAL ASSISTANCE PROGRAM

To the Board of Commissioners:

We have audited the financial statements of Plaquemines Parish Comprehensive Care Center (the Center) as of and for the year ended December 31, 1996, and have issued our report thereon dated April 28, 1997.

During the year ended December 31, 1996, the Center had no major Federal financial assistance programs as defined by Office of Management and Budget Circular A-128, *Audit of State and Local Governments*. However, since the Special Supplemental Food Program for Women, Infants and Children (WIC) represented 80% of the total Federal financial assistance received by the Center, it was tested as if it were a major program, pursuant to the "80% Rule."

We audited the Center's compliance with the requirements governing (1) types of service allowed or disallowed, (2) eligibility, (3) matching, level of effort, and/or cost-sharing, (4) reporting, (5) special tests and provisions, (6) claims for advances and reimbursements, and (7) amounts claimed or used for matching that are applicable to the Federal financial assistance programs mentioned in the preceding paragraph of this report. The management of the Center is responsible for the Center's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards. The standards for financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States, and OMB Circular A-128. These standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirement referred to above occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no material instances of noncompliance with the requirements referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the Center had not complied, in all material respects, with these requirements.

In our opinion, the Center complied, in all material respects, with the requirements governing (1) types of service allowed and disallowed, (2) eligibility, (3) matching, level of effort, and/or cost-sharing, (4) reporting, (5) special tests and provisions, (6) claims for advances and reimbursements, and (7) amount claimed or used for matching that are applicable to the Federal financial assistance program mentioned in the second paragraph of this report for the year ended December 31, 1986.

This report is intended for the information of management and the Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.

Arthur Anderson LLP

New Orleans, Louisiana,
April 28, 1987

INDEPENDENT AUDITOR REPORT ON THE CENTER'S INTERNAL CONTROL
STRUCTURE APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Commissioners:

We have audited the financial statements of *Magnum One Private Comprehensive Care Center* (the Center) as of and for the year ended December 31, 1996, and have issued our report thereon dated April 28, 1997. We have also audited the compliance of the Center with requirements applicable to Federal financial assistance programs and have issued our report thereon dated April 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards (*Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States, and OMB Circular A-128, *Audit of State and Local Governments*). Those standards and OMB Circular 128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Center complied with laws and regulations, noncompliance with which would be material to a Federal financial assistance program.

In planning and performing our audit for the year ended December 31, 1996, we considered the internal control structure of the Center in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of the Center and on the compliance of the Center with requirements applicable to Federal financial assistance programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to Federal financial assistance programs.

Management of the Center is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that Federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal

control structure, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering Federal financial assistance programs into the following categories:

Accounting Control Categories

- Financial Reporting Cycle
- Treasury Cycle
- Revenue Cycle
- Expenditure Cycles - purchasing and payroll
- Conversion (Fixed Assets/Inventory) Cycle
- Federal Grant Cycle

Administrative Control Categories

- General Requirements
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
- Specific Requirements
 - Types of services allowed or disallowed
 - Eligibility
 - Reporting
 - Claims for advances and reimbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1998, the Center had no major Federal financial assistance programs and expended 200% of its total Federal financial assistance under the Special Supplemental Food Program for Women, Infants, and Children (WIC).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Center's Federal financial assistance programs which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering Federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that non-compliance with laws and regulations that would be material to a Federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.

Arthur Anderson LLP

New Orleans, Louisiana
April 26, 1999

INDEPENDENT AUDITORS' REPORT ON

INTERNAL CONTROLS OF THE CENTER AS AN ENTITY

To the Board of Commissioners:

We have audited the financial statements of Plasencia Parish Comprehensive Care Center (the Center) as of and for the year ended December 31, 1998, and have issued our report thereon, dated April 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1996 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Center for the year ended December 31, 1998, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Management of the Center is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, perception of any weaknesses of the structure in future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Center for the year ended December 31, 1998, we obtained an understanding of its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures, and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

FLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

STATEMENTS OF REVENUES AND EXPENSES AND FUND BALANCE

YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Net patient service revenue	\$1,770,680	\$1,722,049
Ad valorem tax revenue (Note 4)	1,061,227	942,998
MHC program grant	52,686	25,274
Interest income	11,207	8,924
Rental income	4,480	11,833
Other operating revenue	<u>18,605</u>	<u>1,779</u>
Total operating revenues	<u>2,862,785</u>	<u>2,712,857</u>
OPERATING EXPENSES		
Salaries and related expenses	1,578,490	1,505,627
Professional fees	442,088	427,966
Provision for bad debts	262,820	252,742
Medical supplies	196,617	158,755
Contract labor	151,351	208,717
Travel and seminars	84,925	83,438
Management fees	72,000	72,000
Depreciation and amortization	37,698	40,517
Repairs and maintenance	49,580	49,271
Purchased services	38,263	32,144
Administrative supplies	30,868	32,688
Insurance	25,589	27,999
Utilities and telephone	26,791	21,785
Computer services	21,888	18,269
Rentals	10,844	13,946
Other	<u>45,182</u>	<u>35,730</u>
Total operating expenses	<u>2,826,245</u>	<u>2,822,081</u>
EXCESS/ (DEFICIENCY) OF REVENUES OVER EXPENSES	36,540	(9,224)
FUND BALANCE AT BEGINNING OF YEAR	858,396	968,620
TRANSFER FROM FLAQUEMINES PARISH (Note 5)	<u>62,120</u>	<u> </u>
FUND BALANCE AT END OF YEAR	<u>\$ 926,656</u>	<u>\$ 859,396</u>

The accompanying notes are an integral part of these financial statements.

4. AD VALOREM TAX REVENUES

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations and was 2.34 mills for 1996 and 1997.

5. RELATED PARTY TRANSACTIONS

Plaquemines Parish periodically advances funds to the Center to fund operating deficits and certain equipment additions. Amounts advanced are based primarily on the Center's budgeted deficit for the year. The Center owed the Parish \$225,000 at December 31, 1996 and 1997.

The Center's building and land were built and purchased with funds provided by Plaquemines Parish, which formerly operated the Center. The Hospital Service District was created in 1980 and assumed operations of the Center, however, Plaquemines Parish retained ownership of the land and building and, accordingly, the Center land and building are not included in the accompanying balance sheets. The Center has use of the facility without the payment of rent. In addition, the Center collects rents on the Physician's Office Building which is owned by Plaquemines Parish. Virtually all written expenses of the Center are paid by the Parish. During 1996, the Parish provided \$40,125 to the Center for capital expenditures which was accounted for as a transfer to fund balance. The Center is dependent upon the financial resources of Plaquemines Parish in order to satisfy its obligations. As the Parish is committed to the continuance of a public healthcare facility for residents of the Parish, it is expected that the Parish will continue to provide financial support to the Hospital Service District's operations. The Center would be unable to continue operations without the financial support of the Parish.

6. MAINFRACTURE INSURANCE

During 1996, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Center participates in the State Insurance Fund, which provides up to \$100,000 coverage for settlement amounts in excess of \$100,000 per claim. The Center is insured for malpractice claims with respect to the first \$100,000 of each claim (up to an annual limit of \$800,000) by a major insurance company.

7. AMOUNTS PAID TO GOVERNING BOARD MEMBERS

The Hospital Board of Commissioners received the following compensations from the Center for services as Commissioners during 1998:

Joseph Amodeo	\$ 200
Paul Beaumont	240
Don Hamby	200
Angeline Jones	160
Nancy LeMay	240
Gene Mullins	240
John Smith	120
Rita Vaughns	240
Mary Ann Foley	—00
	<u>\$2,800</u>

FLAHEIMENIS PARRIS LONGTERM CARE CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (deficiency) of revenues over expenses	\$ 35,809	\$ (118,806)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	52,698	48,347
Decrease in net patient accounts receivable	17,548	17,729
(Increase) decrease in accounts from WIC program	(17)	3,562
Increase in other current assets	(155,492)	9,705
Decrease in accounts payable and accrued expenses	(26,412)	(26,412)
Increase (decrease) in amounts due Medicare/Medicaid programs	73,279	(63,498)
Net cash used in operating activities	<u> -</u>	<u>(125,098)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(68,125)	-
Capital grant from Flaheimenis Parish	<u>68,125</u>	<u> -</u>
Net cash used in capital and related financing activities	<u> -</u>	<u> -</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u> -</u>	<u>(125,098)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u> -</u>	<u>125,098</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Inventories - Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 15 years.

Charity Care - The Center does not have a formal charity care policy, nor does it maintain detailed records of the amount of charity care it provides.

2. **PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 1996 and 1995 follows:

	<u>1996</u>	<u>1995</u>
Land	\$ 5,580	\$ 5,580
Equipment	<u>646,326</u>	<u>586,719</u>
	651,906	592,299
Less accumulated depreciation and amortization	<u>(328,789)</u>	<u>(423,679)</u>
Property and equipment, net	<u>\$ 323,117</u>	<u>\$ 168,620</u>

3. **EMPLOYEE RETIREMENT PLAN**

The Center participates in a defined contribution retirement plan administered by the Parished Employees' Retirement System of Louisiana. All employees who meet certain minimum eligibility requirements become members of the Plan upon employment. The Plan Agreement provides that participating employees contribute 5.0% of their gross compensation through payroll deductions. The Center contributed 7.25% and 5.0% of participants' gross compensation in 1996 and 1995, respectively. Participants become fully vested in their share of the Center's matching contributions after 10 years of service.

Total payroll, covered payroll, employee contributions and Center contributions for the year ended December 31, 1996 and 1995 were:

	<u>1996</u>	<u>1995</u>
Total payroll	\$3,141,736	\$3,185,375
Covered payroll	\$3,103,375	\$ 913,267
Employee contributions	\$ 95,996	\$ 46,362
Center contributions	\$ 73,262	\$ 71,989

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) is organized under powers granted to parishes in the Louisiana Revised Statutes and is exempt from Federal and state income taxes. All corporate powers are vested in a Board of Commissioners appointed by the Plaquemines Parish Commission Council. Prior to January 1, 1990, the Center operated as Plaquemines Parish General Hospital (the Hospital). The Center has been managed by West Jefferson Service Corporation since March 14, 1990.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Accounting - The financial statements are prepared on the going concern basis which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. As discussed in Note 5, certain conditions indicate the Center may be unable to continue as a going concern.

Net Patient Service Revenue - The Center has agreements with third-party payors that provide for reimbursement to the Center at amounts different from its established rates. Medicare and Medicaid health benefits services, bad debts and capital assets are generally reimbursed on a cost basis, subject to certain limits. Amounts receivable under these programs are subject to audit and retroactive adjustment by the program intermediary. Provisions for estimated retroactive adjustments are provided in the period the related services are rendered.

Final determinations of amounts to be received under the Medicare and Medicaid health programs is subject to review and audit by the program intermediary. The difference between the final settlement amount and the recorded estimate for any one year is reported as an adjustment to net patient service revenues in the year final settlement is determined. The Center's Medicare and Medicaid cost reports have been audited by the program intermediary through December 31, 1995.

Income Taxes - The Center is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(c)(3) of the Code.

Cash and Cash Equivalents - Cash and cash equivalents, for cash flow statement purposes, include investments in highly liquid debt instruments with a maturity of three months or less, including amounts whose use is limited by board designation.